

# **CHAPTER 14**

## **EMPLOYEE BENEFITS**

NOTE: This chapter should be read in conjunction with local activity instructions and with any negotiated agreements between your activity and an exclusively recognized labor organization. Contract language will generally take precedence over conflicting provisions in this manual. Areas of uncertainty should be discussed with the Human Resources Office.

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## EMPLOYEE INSURANCE AND RETIREMENT BENEFITS

### 1. PURPOSE

General benefits for federal employees are briefly discussed here. Employees should contact HRSC-NW for more information. Further information on retirement and benefits may be obtained on line at [www.opm.gov](http://www.opm.gov).

### 2. RETIREMENT

#### a. Types of Plans

- 1) The Federal Employees' Retirement System (FERS)
- 2) The Civil Service Retirement System (CSRS).

#### b. Federal Employees' Retirement System (FERS)

- 1) Generally, employees first hired by the federal government on or after 1 January 1984 are covered under the FERS.
- 2) Three-tiered plan consisting of a basic benefit plan, Social Security, and an investment plan known as the Thrift Savings Plan. The employee makes contributions each pay period to the basic benefit and Social Security parts of this system. Each employee covered under the FERS will have a Thrift Savings Plan account established with an amount equal to one percent of the employee's basic salary automatically deposited into this account. Employees may contribute their own money into the account and be eligible for additional contributions. Originally, the maximum amount employees could contribute was ten percent of their salary.



### 3) Employee Limit Increase

Beginning in July 2001, the employee limits for FERS will increase by 1% each year for five years, as follows:

Year	FERS Limit
2001	11%
2002	12%
2003	13%
2004	14%
2005	15%

In 2006, these contribution limits will be lifted entirely.

### 4) Basic Benefit Plan Eligibility Requirements

- a) To receive retirement benefits, the employee must have at least five years of creditable civilian service.
- b) Survivor and disability benefits are available after 18 months service.
- c) Unused sick leave is not converted into creditable service for any purpose under the FERS.

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- d) Credit is not allowed for civilian service after 1988 when no contributions were withheld (e.g. temporary service). Deposits can be made to receive credit for military service and for temporary time prior to 1 January 1989.
- e) The amount the employee receives in an annuity depends on two things: the employee's salary and length of service. The annuity formula used to determine retirement benefits is computed based on the employee's three highest consecutive years of pay ("high-three" average salary) and the number of years and months of federal service.

### 5) Minimum eligibility requirements (see table below)

<b>FERS RETIREMENT ELIGIBILITY REQUIREMENTS</b>				
<b>TYPE OF RETIREMENT</b>	<b>MINIMUM AGE</b>	<b>YEAR OF BIRTH</b>	<b>MINIMUM SERVICE UNREDUCED BENEFITS</b>	<b>*MINIMUM SERVICE REDUCED BENEFIT</b>
<b>OPTIONAL &amp; DEFERRED</b>	62	N/A	5	N/A
	60	N/A	20	N/A
	55	Before 1948	30	10
	55 & 2 mo	1948	30	10
	55 & 4 MO	1949	30	10
	55 & 6 MO	1950	30	10
	55 & 8 MO	1951	30	10
	55 & 10 MO	1952	30	10
	56	1953-1964	30	10
	56 & 2 MO	1965	30	10
	56 & 4 MO	1966	30	10
	56 & 6 MO	1967	30	10
	56 & 8 MO	1968	30	10
	56 & 10 MO	1969	30	10
	57	1970 and after	30	10
<b>DISCONTINUED SERVICE</b>	50	N/A	20	N/A
	ANY	N/A	25	N/A
<b>DISABILITY RETIREMENT</b>	ANY	N/A	18 MONTHS	N/A

\* Reduction is 5% for each year the employee is under age 62

### 6) Social Security

Benefit payments are provided to employees and their dependents that qualify as beneficiaries under the Old Age Survivors and Disability Insurance (OASDI) programs of the Social Security Act. Employees may be eligible for a special retirement supplement, which approximates the Social Security benefit paid between retirement from federal service and eligibility for Social Security at age 62.

### 7) The Thrift Savings Plan (TSP)

- a) A tax-deferred savings plan available to Federal employees. The TSP is comparable to similar plans offered by many private employers. The size of the benefit at retirement depends on how much the employee and the government contribute to the account as well as earnings on those contributions, and the method chosen to withdraw the account balance.

b) Employees investment funds

- "G" fund (short term, non-marketable U.S. Treasury bonds)
- "C" fund (a stock index fund)
- "F" fund (a bond index fund)
- "S" fund (small capitalization stock index investment fund)
- "I" fund (international stock index investment fund)

c) **Typical annual open seasons**

- May 15<sup>th</sup> through July 31<sup>st</sup>
- November 15<sup>th</sup> through January 31<sup>st</sup>

d) During open season, employees may enroll, increase their contributions, or diversify their funds. Employees who are 59 ½ or older may make one in-service withdrawal to request a payment of all or part of their TSP account. Otherwise, employees may not withdraw TSP account balances unless they leave government service. However, employees may borrow against their account.

**8) Applying for Retirement**

Employees should call the HRSC-NW Benefits Information Line to obtain the applicable application forms. (Phone numbers for the HRSC-NW can be obtained from HRO.) Employees shall complete the application form(s) and submit a Request for Personnel Action (RPA) to initiate the retirement action.

**c. Civil Service Retirement System (CSRS) Basic Eligibility Requirements**

- 1) Generally, employees first hired by the government before 1 January 1984 are covered by the CSRS unless the employee elected to transfer to the Federal Employees' Retirement System during the open season offered in 1987, 1988 or 1998.
- 2) The CSRS is a single tier, defined benefit plan. In general, these employees do not contribute to Social Security. Originally, employees could contribute up to five percent of their base pay to the Thrift Savings Plan.
- 3) To be eligible for retirement benefits, an employee must have at least five years civilian service. In addition, except for disability retirement, the employee must have been covered under the CSRS System for at least one year out of the two-year period immediately proceeding retirement.
- 4) Unused sick leave is added to the employee's length of service for annuity computation purposes provided the employee separates on an immediate annuity.
- 5) As with the FERS, the amount an employee receives for an annuity is based on the average of the employee's highest three years of salary and the employee's length of federal service.

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### 6) Minimum age and service requirements (see table provided below)

CSRS RETIREMENT ELIGIBILITY REQUIREMENTS			
TYPE OF RETIREMENT	MINIMUM AGE	MINIMUM SERVICE	SPECIAL REQUIREMENTS
OPTIONAL	62	5	NONE
	60	20	NONE
	55	30	NONE
OPTIONAL—Law Enforcement & Fire Fighters	50	20	Employee must retire under the special provisions for law enforcement officers and fire fighters.
OPTIONAL—Air Traffic Controllers	ANY AGE	25	Employee must be an Air Traffic Controller
	50	20	
OPTIONAL—Reorganization; Function Transfer; Reduction-in-Force	* ANY AGE	25	Agency must be undergoing a major reorganization, transfer of function or reduction-in-force as determined by the Office of Personnel Management.
	* 50	20	
DISCONTINUED SERVICE	ANY AGE	25	Employee separation must be involuntary and not for misconduct or delinquency.
	50	20	
DISABILITY	ANY AGE	5	Employee must be totally disabled for service in the position they occupy.

\* Annuity is reduced if under age 55.

### 7) The Thrift Savings Plan (TSP)

- a) The CSRS employees may also participate in the tax-deferred savings plan available to FERS employees. As with employees covered under FERS, CSRS employees may contribute a portion of their base salary to an established fund account; however, they are not eligible to receive government contributions. They may also apply for loans on their account balances. Employees covered under CSRS are not eligible for government contributions.

#### b) Employee Contribution Limit Increase

Beginning in July 2001, the employee contribution limits for CSRS employees will increase by 1% each year for five years, as follows:

Year	CSRS Limit
2001	6%
2002	7%
2003	8%
2004	9%
2005	10%

**In 2006, these contribution limits will be lifted entirely**

### 8) Applying for Retirement

Employees should call the HRSC-NW Benefits Information Line to obtain the applicable application forms. (Phone numbers for the HRSC-NW can be obtained from HRO.) Employees shall complete the application form(s) and submit a Request for Personnel Action (RPA) to initiate the retirement action.

### 3. LIFE INSURANCE

- a. Generally, all permanent civilian employees are eligible for coverage in the Federal Employees' Group Life Insurance program. A basic life insurance plan and three optional insurance plans are available for employees. To enroll or change enrollment, employees complete a SF-2817, Life Insurance Election Form and forward it to HRO or to HRSC-NW.

#### b. Basic Life Insurance

##### 1) Premium Cost

Shared by the employee and the government. Employees are automatically covered and premiums withheld for the basic life insurance plan beginning on the first day the employee is in a pay and duty status.

##### 2) Coverage

- a) The basic life insurance policy provides employees with life insurance coverage and accidental death and dismemberment coverage.
- b) The amount of basic life insurance available to each eligible employee is graduated according to the employee's age. Employees under age 36 are eligible for basic insurance coverage in an amount equal to their annual salary rounded to the next higher thousand dollars plus \$2,000 multiplied by two. Beginning at age 36, the multiplication factor for the amount of basic insurance declines by 0.1 each year, until it reaches 1.0 at age 45.
- c) Accidental death benefits are equal to the amount of basic insurance without any increase by the multiplication factor. Accidental death and dismemberment coverage stops at retirement.

#### c. Optional Insurance

- 1) An employee must be enrolled in the basic life insurance policy to elect any optional insurance. Employees pay the entire cost of the optional insurance premiums.

##### 2) Options Available

##### a) Standard Optional Life Insurance

- An additional \$10,000 of coverage.
- This optional insurance carries with it an equal amount of accidental death and dismemberment protection for covered employees.

##### b) Additional Optional Life Insurance

- An amount equal to one, two, three, four, or five times an employee's annual basic pay rounded up to the next \$1,000.
- Accidental death and dismemberment coverage is not included in this coverage.

### **c) Family Life Insurance**

- Each multiple coverage is equal to \$5,000 for a spouse and \$2,500 for each eligible dependent child.
- May be elected in either one, two, three, four, or five multiples of coverage.
- Accidental death and dismemberment coverage is not included in this coverage.

## **4. DESIGNATION OF BENEFICIARY**

- a.** Retirement (including TSP contributions), life insurance and unpaid compensation benefits are payable in the event of an employee's death in the order specified below:
  - 1) To the widow or widower.
  - 2) If neither of the above, to the child or children in equal shares, with the share of any deceased child distributed among the descendants of that child.
  - 3) If none of the above, to the parents in equal shares or the entire amount to the surviving parent.
  - 4) Next of kin.
  - 5) The executor/administrator of the estate.
- b.** With regard to retirement benefits for survivors, OPM will honor any divorce court orders issued after May 7, 1985, which provide benefits to a former spouse.
- c.** Employees must complete designation of beneficiary forms if the employee desires benefits to be paid in a different order than stated above. Beneficiaries specified in an employee's personnel record take precedence over those specified in a last will and testament. Beneficiary forms may be obtained by contacting HRSC-NW or your local HRO Office.

## **5. HEALTH INSURANCE**

- a.** The Federal Employees Health Benefits Program (FEHBP) is a voluntary program open to permanent full-time and part-time civilian employees. Temporary employees may enroll provided they have completed at least a year of continuous service. Those employees who are employed on a seasonal or intermittent basis are not eligible for health benefits.
- b.** There are many health plans available to employees under this program. Generally, an eligible employee may enroll in the health benefits program when first hired into Federal service or during the annual health benefits open season. Employees may enroll in the FEHBP by completing a SF-2809, Health Benefits Registration form, and forwarding it to a Benefits Specialist at HRSC-NW.